

Customs Bulletin

Regulations, Rulings, Decisions, and Notices
concerning Customs and related matters



and Decisions of the United States Court of Appeals for the Federal Circuit and the United States Court of International Trade

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No. 51

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U.S. Customs Service

T.D. 86-206 Through 86-214

Proposed Rulemaking

U.S. Court of Appeals for the Federal Circuit

Appeal No. 85-1163, 85-2525, 86-912/86-922,
and 86-1033

THE DEPARTMENT OF THE TREASURY
U.S. Customs Service

NOTICE

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U.S. Customs Service

Treasury Decisions

(T.D. 86-206)

FOREIGN CURRENCIES

DAILY RATES FOR COUNTRIES NOT ON QUARTERLY LIST

The Federal Reserve Bank of New York, pursuant to section 522(c), Tariff Act of 1930, as amended (31 U.S.C. 372(c)), has certified buying rates for the dates and foreign currencies shown below. The rates of exchange, based on these buying rates, are published for the information and use of Customs officers and others concerned pursuant to Part 159, Subpart C, Customs Regulations (19 CFR 159, Subpart C).

Greece Drachma

November 3, 1986	\$.007143
November 4, 1986 .....	.007156
November 5, 1986 .....	.007105
November 6, 1986007117
November 7, 1986007123

Israel Shekel:

November 3-7, 1986	N/A
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South Korea Won:

November 3, 1986001140
November 4, 1986001139
November 5-6, 1986001141
November 7, 1986 .....	.001142

Taiwan N.T. Dollar:

November 3, 1986 .....	.027375
November 4, 1986 .....	.027382
November 5, 1986 .....	.027390
November 6, 1986 .....	.027397
November 7, 1986	N/A

(LIQ-03-01 S:COM CIE)

Dated: November 7, 1986.

ANGELA DeGAETANO,
Chief,
Customs Information Exchange.

(T.D. 86-207)

FOREIGN CURRENCIES

DAILY RATES FOR COUNTRIES NOT ON QUARTERLY LIST

The Federal Reserve Bank of New York, pursuant to section 522(c), Tariff Act of 1930, as amended (31 U.S.C. 372(c)), has certified buying rates for the dates and foreign currencies shown below. The rates of exchange, based on these buying rates, are published for the information and use of Customs officers and others concerned pursuant to Part 159, Subpart C, Customs Regulations (19 CFR 159, Subpart C).

November 11, 1986: Holiday.

Greece Drachma:		
November 10, 1986	.....	\$.007163
November 12, 1986	.....	.007225
November 13, 1986	.....	.007212
November 14, 1986	.....	.007231
Israel Shekel:		
November 10-14	.....	N/A
South Korea Won:		
November 10, 1986	.....	.001142
November 12, 1986	.....	.001146
November 13-14, 1986	.....	.001147
Taiwan N.T. Dollar:		
November 10, 1986	.....	N/A
November 12, 1986	.....	.027427
November 13, 1986	.....	.027435
November 14, 1986	.....	.027442

(LIQ-03-01 S:COM CIE)

Dated: November 14, 1986.

ANGELA DeGAETANO,
Chief,
Customs Information Exchange.

(T.D. 86-208)

FOREIGN CURRENCIES

DAILY RATES FOR COUNTRIES NOT ON QUARTERLY LIST

The Federal Reserve Bank of New York, pursuant to section 522(c), Tariff Act of 1930, as amended (31 U.S.C. 372(c)), has certified buying rates for the dates and foreign currencies shown below. The rates of exchange, based on these buying rates, are published for the information and use of Customs officers and others concerned pursuant to Part 159, Subpart C, Customs Regulations (19 CFR 159, Subpart C).

Greece Drachma:

November 17, 1986	.....	\$.007215
November 18, 1986	.....	.007207
November 19, 1986	.....	.007212
November 20, 1986007210
November 21, 1986007174

Israel Shekel:

November 17-21, 1986	N/A
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South Korea Won:

November 17-18, 1986001147
November 19, 1986001146
November 20, 1986001147
November 21, 1986	.....	.001146

Taiwan N.T. Dollar:

November 17, 1986	.....	.027457
November 18, 1986	.....	.027465
November 19, 1986	.....	.027473
November 20, 1986	.....	.027480
November 21, 1986	.....	.027488

(LIQ-03-01 S:COM CIE)

Dated: November 21, 1986.

ANGELA DeGAETANO,

*Chief,**Customs Information Exchange.*

(T.D. 86-209)

FOREIGN CURRENCIES

DAILY RATES FOR COUNTRIES NOT ON QUARTERLY LIST

The Federal Reserve Bank of New York, pursuant to section 522(c), Tariff Act of 1930, as amended (31 U.S.C. 372(c)), has certified buying rates for the dates and foreign currencies shown below.

The rates of exchange, based on these buying rates, are published for the information and use of Customs officers and others concerned pursuant to Part 159, Subpart C, Customs Regulations (19 CFR 159, Subpart C).

November 27, 1986: Holiday.

Greece Drachma:

November 24, 1986	.....	\$.007156
November 25, 1986	.....	.007239
November 26, 1986007244
November 28, 1986007262

Israel Shekel:

November 24-28, 1986	N/A
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South Korea Won:

November 24, 1986001146
November 25, 1986001146
November 26, 1986001147
November 28, 1986	.....	.001149

Taiwan N.T. Dollar:

November 24, 1986	.....	.027503
November 25, 1986	.....	.027510
November 26, 1986	.....	.027518
November 28, 1986	.....	N/A

(LIQ-03-01 S:COM CIE)

Dated: November 28, 1986.

ANGELA DeGAETANO,
Chief,
Customs Information Exchange.

(T.D. 86-210)

FOREIGN CURRENCIES

VARIANCES FROM QUARTERLY RATE

The following rates of exchange are based upon rates certified to the Secretary of the Treasury by the Federal Reserve Bank of New York, pursuant to section 522(c), Tariff Act of 1930, as amended (31 U.S.C. 372(c)), and reflect variances of 5 per centum or more from the quarterly rate published in Treasury Decision 86-132 for the following countries. Therefore, as to entries covering merchandise exported on the dates listed, whenever it is necessary for Customs purposes to convert such currency into currency of the United States, conversion shall be at the following rates.

Japan Yen:

November 3, 1986	\$.006098
November 4, 1986 .....	.006101
November 5, 1986 .....	.006079
November 6, 1986 .....	.006124
November 7, 1986 .....	.006127

(LIQ-03-01 S:COM CIE)

Dated: November 7, 1986.

ANGELA DeGAETANO,
Chief,
Customs Information Exchange.

(T.D. 86-211)

FOREIGN CURRENCIES

VARIANCES FROM QUARTERLY RATE

The following rates of exchange are based upon rates certified to the Secretary of the Treasury by the Federal Reserve Bank of New York, pursuant to section 522(c), Tariff Act of 1930, as amended (31 U.S.C. 372(c)), and reflect variances of 5 per centum or more from the quarterly rate published in Treasury Decision 86-132 for the following countries. Therefore, as to entries covering merchandise exported on the dates listed, whenever it is necessary for Customs purposes to convert such currency into currency of the United States, conversion shall be at the following rates.

November 11, 1986: Holiday.

Japan Yen:

November 10, 1986	\$.006141
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New Zealand Dollar:

November 10, 198651700
November 12, 198651800
November 13-14, 198651650

(LIQ-03-01 S:COM CIE)

Dated: November 14, 1986.

ANGELA DeGAETANO,
Chief,
Customs Information Exchange.

(T.D. 86-212)

FOREIGN CURRENCIES

VARIANCES FROM QUARTERLY RATE

The following rates of exchange are based upon rates certified to the Secretary of the Treasury by the Federal Reserve Bank of New York, pursuant to section 522(c), Tariff Act of 1930, as amended (31 U.S.C. 372(c)), and reflect variances of 5 per centum or more from the quarterly rate published in Treasury Decision 86-132 for the following countries. Therefore, as to entries covering merchandise exported on the dates listed, whenever it is necessary for Customs purposes to convert such currency into currency of the United States, conversion shall be at the following rates.

Japan Yen:

November 17, 1986	.....	\$ .006142
November 18, 1986	.....	.006143
November 19, 1986	.....	.006158
November 20, 1986	.....	.006144
November 21, 1986	.....	.006096

New Zealand Dollar:

November 17, 1986	.....	.51350
November 18, 1986	.....	.51450
November 19, 1986	.....	.51680
November 20, 1986	.....	.51850
November 21, 1986	.....	.51780

(LIQ-03-01 S:COM CIE)

Dated: November 21, 1986.

ANGELA DeGAETANO,
Chief,
Customs Information Exchange.

(T.D. 86-213)

FOREIGN CURRENCIES

VARIANCES FROM QUARTERLY RATE

The following rates of exchange are based upon rates certified to the Secretary of the Treasury by the Federal Reserve Bank of New York, pursuant to section 522(c), Tariff Act of 1930, as amended (31 U.S.C. 372(c)), and reflect variances of 5 per centum or more from the quarterly rate published in Treasury Decision 86-132 for the following countries. Therefore, as to entries covering merchandise exported on the dates listed, whenever it is necessary for Customs

purposes to convert such currency into currency of the United States, conversion shall be at the following rates.

November 27, 1986: Holiday.

Japan Yen:

November 24, 1986	\$.006091
November 25, 1986 .....	.006152
November 26, 1986 .....	.006137

New Zealand Dollar:

November 24, 1986 .....	.51750
November 25, 1986 .....	.52000
November 26, 1986 .....	.52080

(LIQ-03-01 S:COM CIE)

Dated: November 28, 1986.

ANGELA DeGAETANO,
Chief,
Customs Information Exchange.

(T.D. 86-214)

APPROVAL OF AMERICAN INSPECTION AND TESTING, INC.,
TO GAUGE IMPORTED PETROLEUM AND PETROLEUM
PRODUCTS

AGENCY: U.S. Customs Service, Department of the Treasury

ACTION: Notice of approval.

SUMMARY: Pursuant to § 151.43(b), Customs Regulations (19 CFR 151.43(b)), American Inspection and Testing, Inc., 212 East X Street, Deer Park, Texas 77536, has applied to Customs for approval to gauge imported petroleum and petroleum products. It has been determined that American Inspection and Testing meets all of the requirements to be a Customs approved public gauger.

Accordingly, the application of American Inspection and Testing, Inc., to gauge imported petroleum and petroleum products in all Customs districts is approved.

EFFECTIVE DATE: December 8, 1986

FOR FURTHER INFORMATION CONTACT: Roger J. Crain, Technical Services Division, U.S. Customs Service, 1301 Constitution Avenue, NW., Washington, D.C. 20229 (202-566-2446).

Dated: December 8, 1986.

ROGER J. CRAIN,
*Chief, Technical Section,
Technical Services Division.*

[Published in the Federal Register, December 15, 1986 (51 FR 44967)]

U.S. Customs Service

Proposed Rulemaking

19 CFR Part 171

PROPOSED CUSTOMS REGULATIONS AMENDMENT RELATING TO THE DEFINITION OF FRAUD UNDER 19 U.S.C. 1592

AGENCY: U.S. Customs Service, Department of the Treasury.

ACTION: Proposed rule.

SUMMARY: This document proposes to amend the Customs Regulations by revising the definition of "fraud" in the revised penalty guidelines for violations of 19 U.S.C. 1592, to remove the requirement that the violation be deliberately done with intent to violate the laws of the U.S. The amendment would enhance the enforcement of § 1592 fraud cases.

DATE: Comments must be received on or before February 9, 1986.

ADDRESS: Comments (preferably in triplicate) may be addressed to and inspected at the Regulations Control Branch, Room 2426, U.S. Customs Service, 1301 Constitution Avenue, NW., Washington, D.C. 20229.

FOR FURTHER INFORMATION CONTACT: Sandra L. Gethers, Entry Procedures and Penalties Division (202-566-8317).

SUPPLEMENTARY INFORMATION:

BACKGROUND

Appendix B to Part 171, Customs Regulations (19 CFR Part 171, Appendix B), sets forth the revised penalty guidelines for violations of title 19, United States Code, section 1592. Section 1592 imposes monetary penalties and other sanctions for entering, introducing, or attempting to enter or introduce any merchandise into the commerce of the U.S. by means of any document, written or oral statement, or act which is material and false, or any omission which is material. The revised guidelines provide for, among other things, mitigation of the monetary penalty according to the degree of culpability involved in the violation of § 1592.

There are three degrees of culpability under § 1592: negligence, gross negligence and fraud. Under the current definition of fraud, as set forth in § (B)(3) of the revised penalty guidelines in Appendix B to Part 171, Customs Regulations, a fraudulent violation of § 1592 is one that results from an act or acts (of commission or omission) deliberately done with intent to defraud the revenue or to otherwise violate the laws of the U.S., as established by clear and convincing evidence.

Customs believes that this definition of fraud imposes a burden of proof that is greater than is necessary for establishing civil fraud under § 1592. It should be sufficient to prove that the acts (including false statements) were "knowingly" committed or made, without the additional burden of proving that the violator knew that the direct consequences of its action would be loss of duties to the Government or violation of any of its laws. Also, to require evidence that the acts constituting a § 1592 violation were deliberately done with the intent to defraud the revenue or otherwise violate U.S. laws in order to establish fraud, could impair the enforcement of § 1592 fraud cases.

PROPOSED ACTION

Accordingly, it is proposed that the definition of fraud in § (B)(3) of Appendix B to Part 171, Customs Regulations, be amended. The new definition would require, in order to establish fraud, evidence that the false statement or act in connection with the transaction was committed (or omitted) knowingly, i.e., voluntarily and intentionally, and not because of mistake or accident or other innocent reason, as established by clear and convincing evidence.

COMMENTS

Before adopting this proposal, consideration will be given to any written comments timely submitted to Customs. Comments submitted will be available for public inspection in accordance with the Freedom of Information Act (5 U.S.C. 552), § 1.4, Treasury Department Regulations (31 CFR 1.4), and § 103.11(b), Customs Regulations (19 CFR 103.11(b)), on regular business days between the hours of 9:00 a.m. and 4:30 p.m. at the Regulations Control Branch, Room 2426, Customs Headquarters, 1301 Constitution Avenue, NW., Washington, D.C. 20229.

REGULATORY FLEXIBILITY ACT

Pursuant to the provisions of the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*), it is certified that, if adopted, the proposed amendment will not have a significant economic impact on a substantial number of small entities. Accordingly, it is not subject to the regulatory analysis or other requirements of 5 U.S.C. 603 and 604.

EXECUTIVE ORDER 12291

This document does not meet the criteria for a "major rule" as specified in § 1(b) of E.O. 12291. Accordingly, no regulatory impact analysis has been prepared.

DRAFTING INFORMATION

The principal author of this document was Susan Terranova, Regulations Control Branch, U.S. Customs Service. However, personnel from other offices participated in its development.

LIST OF SUBJECTS IN 19 CFR PART 171

Customs duties and inspection, Penalties, Seizures and forfeitures.

PROPOSED AMENDMENT

It is proposed to amend Appendix B to Part 171, Customs Regulations (19 CFR Part 171, Appendix B), by removing the text of subparagraph (B)(3) and inserting a new text, to read as follows:

APPENDIX B TO PART 171—CUSTOMS REGULATIONS,
REVISED PENALTY GUIDELINES, 19 U.S.C. 1592

* * * * *

(B) *Degrees of Culpability*

* * * * *

(3) *Fraud.* A violation is determined to be fraudulent if the material false statement or act in connection with the transaction was committed (or omitted) knowingly, i.e., was done voluntarily and intentionally, and not because of mistake or accident or other innocent reason, as established by clear and convincing evidence.

WILLIAM VON RAAB,
Commissioner of Customs.

Approved: November 26, 1986.

FRANCIS A. KEATING II,
Assistant Secretary of the Treasury.

1. The first part of the paper discusses the importance of the study of the history of the United States. It is argued that a knowledge of the past is essential for a full understanding of the present and for the development of a sound policy for the future.

2. The second part of the paper discusses the various methods which have been employed by historians in the study of the past. It is pointed out that each method has its own strengths and weaknesses, and that a combination of methods is often necessary to obtain a complete picture of the past.

3. The third part of the paper discusses the various sources of historical information. It is pointed out that there are many different types of sources, and that each type has its own characteristics. It is also pointed out that the sources must be carefully evaluated in order to determine their reliability and value.

4. The fourth part of the paper discusses the various problems which arise in the study of the history of the United States. It is pointed out that there are many different types of problems, and that each type requires a different approach. It is also pointed out that the problems must be carefully evaluated in order to determine their importance and value.

5. The fifth part of the paper discusses the various contributions which have been made to the study of the history of the United States. It is pointed out that there have been many different types of contributions, and that each type has its own importance. It is also pointed out that the contributions must be carefully evaluated in order to determine their value and significance.

U.S. Court of Appeals for the Federal Circuit

(Appeal No. 85-1163)

SURFACE TECHNOLOGY, INC., APPELLANT *v.* U.S. INTERNATIONAL TRADE COMMISSION, APPELLEE *v.* ELEKTROSCHMELZWERK KEMPTEN GMBH, ET AL., AND W. SCHLAFHORST & CO., ET AL., INTERVENORS

Kenneth J. Burchfiel, Sughrue, Mion, Zinn, Macpeak & Seas, of Washington, D.C., argued for appellant. On the brief for appellant were *Sheldon I. Landsman* and *Thomas J. Macpeak*, P.C., of Sughrue, Mion, Zinn, Macpeak & Seas and *Italo H. Ablondi*, *F. David Foster* and *Sturgis M. Sobin*, of Ablondi & Foster, P.C., of Washington, D.C.

Judith M. Czako, Office of the General Counsel, U.S. International Trade Commission, of Washington, D.C., argued for appellee ITC. With her on the brief were *Lyn M. Schlitt*, General Counsel and *Michael P. Mabile*, Assistant General Counsel.

Donald D. Evenson, Barnes & Thornburg, of Washington, D.C., argued for intervenor W. Schlafhorst & Co. With him on the brief was *Ryan M. Fountain*. Also on the brief were *Dalbert U. Shefte*, of Richards, Shefte & Pinckney, of Charlotte, North Carolina and *Donald E. Knebel*, Barnes & Thornburg, of Indianapolis, Indiana.

Herbert I. Cantor, Cantor & Lessler, of Bethesda, Maryland, argued for intervenor Elektroschmelzwerk Kempten GmbH. Also on the brief were *Milton J. Wayne* and *Richard M. Goldberg*, Burgess, Ryan & Wayne, of New York, New York.

Appealed from: U.S. International Trade Commission.

(Appeal No. 85-1163)

SURFACE TECHNOLOGY, INC., APPELLANT, *v.* U.S. INTERNATIONAL TRADE COMMISSION, APPELLEE *v.* ELEKTROSCHMELZWERK KEMPTEN GMBH, ET AL., AND W. SCHLAFHORST & CO., ET AL., INTERVENORS

(Decided September 23, 1986)

Before SMITH, *Circuit Judge*, SKELTON, *Senior Circuit Judge*, and BISSELL, *Circuit Judge*.

SMITH, *Circuit Judge*.

In this unfair competition case under 19 U.S.C. § 1337 (1982) (section 337), appellant, Surface Technology, Inc. (Surface), appeals from the determination of the United States International Trade Commission (Commission), that there was no violation of section 337 because, on this record, method claims 2, 12, 13, and 14 of U.S.

reissue patent 29,285 (the '285 patent) were invalid, and the remaining product claims were not infringed. We affirm.

THE CLAIMED INVENTION

The '285 patent, which is assigned to Surface, relates to a method of forming a composite structure on an article by electroless plating containing polycrystalline diamonds and product claims to the resulting coated articles.¹ There are 12 claims at issue, 8 product claims (claim 1, 3, 4, and 7-11) and 4 method claims (claims 2, 12, 13, and 14). Of the product and method claims only two, 7 and 12, do not specifically employ polycrystalline diamonds. In addition, all of the product claims require that the diamonds be secured within a metallic matrix by "substantial nucleation" or "nucleation bonding." "Nucleation bonding" is an expression coined by the inventors to describe the plating out of metal on the catalytic diamond surface itself as opposed to the encapsulating that occurs with other hard particles such as natural diamonds. Product claims, 7, 10, and 11, and method claims, 12 and 14, require the employment of a "strike layer." A "strike layer" is an initial layer of metal plated onto the article prior to the co-deposition of diamonds and metals.

BACKGROUND

The '285 patent is a reissue of U.S. patent No. 3,036,577 (the '577 patent), which issued on February 3, 1976, and was assigned to E. I. du Pont de Nemours & Company (DuPont). The '577 patent issued with five product claims, all including the limitation "nucleation bonding" and one method claim. The method claim had been canceled during prosecution. There was no explanation as to why it was included in the issued patent. On June 7, 1976, the inventors filed for reissue of the '577 patent to close the gap that existed in the prosecution history. The reissue application specified that reissue should be allowed because of the "erroneously and inadvertently cancelled Claim 2, corresponding to Claim 5 as filed, and, even though Claim 2 was ultimately issued." A particle size limitation was added to claim 2 and, on June 28, 1977, the '285 patent issued and was assigned to DuPont.

DuPont pioneered the composite diamond coating (CDC) industry. In addition to the '285 patent, DuPont discussed the CDC process with Elektroschmelzwerk Kempten GmbH (ESK), a European dis-

¹ Claims 1 and 2 of the '285 patent, as set forth in the reexamination certificate, are representative of the claims in issue:

"1. A coated article formed by electroless plating comprising a co-deposited uniform dispersion of polycrystalline diamond particles secured by substantial nucleation within a metallic matrix comprising one of the group consisting of: (1) an alloy including a metal of the subgroup made up of nickel, cobalt and mixtures thereof with one of the elements phosphorus, boron and mixtures thereof and (2) elemental copper, deposited on a supporting substrate consisting of polymer, metal, ceramic or glass.

"2. A method of forming a composite structure on an article by electroless plating comprising immersing said article in a stable electroless bath having a composition effecting concurrent deposition of particulate polycrystalline diamond having a particle size in the range of 0.1 μ to 75 μ dispersed in a metallic matrix comprising one of the group consisting of (1) an alloy including a metal of the sub-group made up of nickel, cobalt and mixtures thereof with one of the elements phosphorus, boron and mixtures thereof and (2) elemental [elemental] copper, while maintaining agitation of said bath retaining said particulate diamond in suspension, and removing said article carrying said composite structure from said bath [when] after said composite structure has been plated out on said article in preselected amount." (In this quotation from the reexamination certificate, brackets indicate deletions and underlining indicates additions to be reflected in the amended patent.)

tributor of DuPont's patented synthetic polycrystalline diamonds. ESK declined DuPont's offer to sell its assets relating to the CDC business. In 1979, DuPont sold its CDC business to Surface and assigned it the related patents.

On December 3, 1981, ESK filed a request for reexamination of the '285 patent. In the reexamination proceeding, claims 1, 2, and 3 of the reissued '285 patent were amended to include the limitation "polycrystalline." Claims 4, 5, and 6 remained the same. New claims 7-14 were added with claims 7-12 directed to coated article products and claims 13 and 14 directed to a method for producing a composite structure.

On July 5, 1983, a reexamination certificate for the '285 patent, as amended, issued.

PROCEEDINGS BELOW

Surface filed a complaint with the Commission alleging violations by ESK, Barmer Barmag Maschinenfabrik A.G., FAG Kugelfischer Georg Schaefer & Co., Schubert & Salzer Maschinenfabrik A.G., and American Barmag Corporation (group I respondents) and W. Schlafhorst & Co. and American Schlafhorst Co., Inc. (group II respondents).² The Commission investigated Surface's allegations of (1) infringement of claims 1-4 and 7-14 of the '285 patent; (2) infringement of claim 1 of U.S. patent No. 3,904,512; and (3) unreasonable restraint of trade with respect to warranty services for the imported products.³ In the initial determination issued May 29, 1984, the administrative law judge (ALJ) held there was no violation of section 337 in the importation and sale of the CDC textile machinery under investigation; method claims 2, 12, 13, and 14 were invalid as obvious under 35 U.S.C. § 103; the imported articles under investigation did not infringe the product claims, claims 1, 3, 4, and 7-11, of the '285 patent; and all other elements of a violation of section 337 existed.⁴

Surface filed a petition with the Commission for review of the ALJ's determinations regarding invalidity and infringement. The group I and group II respondents filed contingent petitions for review. The Commission determined to review the issue of validity of the method claims of the '285 patent and affirmed the ALJ's initial determination that claims 2 and 12-14 are invalid. The Commission determined not to review the remainder of the initial determination (including the determination of noninfringement), except that the Commission expressly took no position regarding the ALJ's determinations of validity of the product claims and the issue of prevention of the establishment of an industry. Those portions of the initial determination that the Commission did not review became the deter-

² The group I and group II respondents' motions to intervene were granted. See *Surface Technology, Inc. v. United States Int'l Trade Comm'n*, 780 F.2d 29, 30-31 (Fed. Cir. 1985).

³ After the prehearing conference Surface's allegations (2) and (3) were withdrawn with prejudice.

⁴ Although intervenors appeal the remaining elements of the section 337 violation, we will not review those portions of the initial determination on which the Commission has expressly taken no position. *Beloit Corp. v. Valmet Oy*, 742 F.2d 1421, 1423, 223 USPQ 193, 194-95 (Fed. Cir. 1984), cert. denied, 105 S. Ct. 2706 (1985).

mination of the Commission⁵ with the exception of those issues upon which the Commission expressly took no position. Thus, the ALJ's determination of noninfringement became the determination of the Commission.

The Commission noted that the ALJ did not specifically discuss the question of the level of skill in the art. Surface argued that the failure to make a specific finding on this question was fatal to the conclusion of obviousness under 35 U.S.C. § 103. In view of Surface's contentions, the Commission examined the record and reached its own conclusion that, on this record, method claims 2, 12, 13, and 14 of the '285 patent were invalid as obvious under 35 U.S.C. § 103.

ISSUES

Two principal questions are raised on appeal:⁶

(1) whether substantial evidence supports the Commission's findings underpinning its conclusion that claims 2, 12, 13, and 14 of the '285 patent are invalid under 35 U.S.C. § 203; and

(2) whether substantial evidence supports the Commission's findings that claims 1, 3, 4, and 7-11 of the '285 patent are not infringed by certain CDC textile machinery components produced and/or sold by the group I and group II respondents.

VALIDITY

Surface contends that the Commission was not presented with prior art more pertinent than that presented to the United States Patent and Trademark Office; thus, the statutory presumption of validity of claims 2 and 12-14 was not rebutted. Surface argues that the ALJ's initial determination completely missed the point; that several findings were not supported by substantial evidence; and that the ALJ disregarded the findings of fact in support of its position.

Surface asserts that the claims of the '285 patent have been subject to close scrutiny by the United States Patent and Trademark Office three times and therefore the presumption of validity is especially strong. Surface's insistence that the claims of the '285 patent have been examined three times when applied to the method claims is flawed. In the initial prosecution of the '577 patent, the method claims were rejected. Specifically, the 35 U.S.C. § 103 rejection of amended claim 5 was maintained by the examiner until the claim was canceled by the applicant. Apparently, due to inadvertence by the United States Patent and Trademark Office, the method claim was printed in the issued '577 patent. A review of the reissue prosecution of the '285 patent shows that method claim 2 was amended to include a particle size range and the method claim was allowed without any additional prosecution of the claim.

⁵ 19 C.F.R. § 210.59(h) (1985). See *Beloit Corp.*, 742 F.2d at 1423, 223 USPQ at 194-95.

⁶ In view of our decision as to issue 1, we do not need to reach the issue that claim 2 was not properly allowed under 35 U.S.C. § 251 during the reissue of the '285 patent.

The prosecution history of the reexamination proceeding of the '285 patent shows that method claim 2 was rejected as unpatentable under 35 U.S.C. § 103. In order to overcome the rejection of all of the claims, applicant submitted affidavits of Konrad Parker, Marshall B. Peterson, Arthur Hughes Graham, and Nathan Feldstein. The section 103 rejection of claim 2 was sustained and additional prior art references were cited. Additional affidavits were submitted by Nathan Feldstein and Frederick N. Hubbell. Again, the section 103 rejection was sustained. Following an interview with the examiner, claim 2 was amended to include the limitation "polycrystalline" and all pending claims were allowed with the examiner's caveat that the method claims were arguably somewhat broader in scope than the product claims.

With this rather tortuous and laborious prosecution history, the ALJ considered the prior references and additional testimony and affidavits before concluding that method claims 2 and 12-14 were invalid. The ALJ correctly acknowledged that the burden of proof is on the party asserting invalidity and that it must be carried by clear and convincing evidence. The fact that the basis for holding the method claims invalid did not include different or additional references is not dispositive. Although the prior art considered by the ALJ was essentially the same as that considered by the examiner, this alone is an insufficient basis for reversing the decision of the Commission. The issue before this court is not whether on appeal Surface can marshal the evidence of record to support its argument for validity, but rather whether substantial evidence in this record supports the factual determinations of the Commission underlying its legal conclusion of obviousness.⁷

A careful review of the prosecution history of the '285 patent results in the conclusion that the method claims were allowed based on affidavits submitted by Parker, Peterson, and Graham. Parker provided an affidavit, which was submitted in the reexamination proceeding, stating that the '285 patent disclosed "several meritorious inventions, * * * which would have been unobvious in view of the" prior art. During the proceeding before the Commission, the deposition of Mr. Parker was made of record. Surface states that Parker's testimony as "hired gun" for ESK was "contrary to his prior affidavit in the '285 prosecution and [Parker took] positions totally unsubstantiated by documents or other evidence." Surface proposes that the Commission should have followed "the USPTO final rulings on patentability and Parker's sworn affidavit" and not "adopted as *facts* the Examiner's abandoned positions on patentability and Parker's later 'hired' testimony." First, both Surface and ESK paid for Parker's opinion on patentability, albeit at different times. Second, it is difficult, if not impossible to determine which

⁷ See *SSI/H Equip. S.A. v. United States Int'l Trade Comm'n*, 718 F.2d 365, 371, 218 USPQ 678, 684 (Fed. Cir. 1983); *American Hosp. Supply Corp. v. Transcol Laboratories, Inc.*, 745 F.2d 1, 6, 223 USPQ 577, 581 (Fed. Cir. 1984). Of course, the ultimate conclusion of validity is a question of law freely reviewable by the court. *SSI/H Equip.*, 718 F.2d at 375, 218 USPQ at 687.

statements by Parker are credible and as such should be relied on. Again, Surface would have the court consider those statements in support of its position while ignoring those that are damaging. At a minimum, the fact that Parker has taken contradictory positions undermines the credibility of his testimony. Also, the inconsistency of Parker's statements concerning the obviousness of the claimed invention, in view of the prior art, is but one factor relied on by the ALJ in reaching his conclusion.

Peterson submitted an affidavit in the reexamination proceeding attesting to the fact that there was absolutely no basis in the prior art "for expecting the outstanding wear resistance of polycrystalline diamond/electroless metal composites in comparison with natural and other diamonds, or for expecting the superior anchoring exhibited by the polycrystalline diamond particles in the electroless metal matrix." Peterson stated in his affidavit that the invention disclosed by the '285 patent "would not have been obvious to one of ordinary skill in the art at the time the invention was made." Peterson's testimony before the Commission, however, raised questions as to his credibility in regard to the factual basis for his conclusions and his understanding of the legal term "obvious."

From the prosecution history of the '285 patent, it is clear that the affidavits of Parker, Peterson, and Graham were an important factor in overcoming the section 103 rejection. The subsequent testimony of Parker and Peterson compromised the strength and effectiveness of the affidavits.

The substantial evidence test requires that the factual basis be supported by "such relevant evidence as a reasonable mind might accept as adequate to support a conclusion."⁸ The strength and effectiveness of the affidavits were jeopardized by the subsequent testimony of the affiants. On this record, we hold that there is substantial evidence to support the Commission's findings underpinning its conclusion that method claims 2 and 12-14 of the '285 patent are invalid under 35 U.S.C. § 103. Further, we find no error in the legal conclusion based on these factual findings.

INFRINGEMENT

Surface contends that the ALJ imposed an improper burden of proving infringement with respect to "nucleation bonding" and the electroless "strike layer."⁹ Surface argues that the ALJ ignored its witnesses in favor of the group I and group II respondents' witnesses and that this resulted in a standard of proof "beyond a reasonable doubt" rather than the preponderance of evidence test. Surface contends that the visible manifestation of "nucleation bonding" is not always present. Surface introduced a "surface roughness" test

⁸ *Atlantic Sugar, Ltd. v. United States*, 744 F.2d 1556, 1562 (Fed. Cir. 1984) (quoting *SSIH Equip.*, 718 F.2d at 382, 218 USPQ at 692 (additional comments of Judge Nies), quoting in turn from *Universal Camera Corp. v. N.L.R.B.*, 340 U.S. 474, 477 (1951)).

⁹ Since Surface failed to prove by substantial evidence of record that the accused products included "nucleation bonding" or "substantial nucleation," we do not need to reach the question of whether the accused products included deposition of a "strike layer."

to demonstrate that the diamond particles are catalytic to the electroless bath and that plating on the polycrystalline diamonds did occur. Contending that this was sufficient evidence to show infringement and that this evidence was unchallenged, Surface would have the court reverse the Commission on the holding of noninfringement of claims 1, 3, 4, and 7-11.

Surface argues that the term "nucleation bonding" should be broadly construed, so broadly that it would include articles where the "nucleation bonding" was not evident. This suggestion of broad construction of the claims is inconsistent with the language in the patent application as well as with the prosecution history of the '285 patent. In the '285 patent, the inventors distinguished between articles coated with diamond "A" particles (polycrystalline diamonds) that exhibited "nucleation bonding" and those that didn't. Examples 22 and 25 of the '285 patent revealed that no nucleation bonding occurred with diamond "A" particles. In distinguishing examples 22 and 25 from example 21, which demonstrated "nucleation bonding," the inventors stated "[t]he conclusion drawn from Examples 21, 22, and 25 is that bath composition can affect whether or not nucleation of electroless alloy grains will occur on diamond 'A' particles."

The method for determining whether "nucleation bonding" occurred in the examples set forth in the '285 patent, used scanning electron microscopy observations on the composite coatings. The examinations done by scanning electron microscope (SEM) are set forth in detail in the '285 patent. Surface was unsuccessful at demonstrating that any of the alleged infringing products exhibited "nucleation bonding" by the SEM method as described in the '285 patent. As an alternative attempt to prove infringement, Surface submitted its own "surface roughness" test to demonstrate that the diamond particles are catalytic to the electroless bath and that plating on the polycrystalline diamonds does occur. The "surface roughness" test was devised by Nathan Feldstein and his associate, Mr. Lancsek. Feldstein, a principal owner of Surface, admitted that the test never had been published and no independent substantiation was offered as to the efficacy, accuracy, and dependability of the new test. The ALJ dismissed Surface's evidence of the "surface roughness" test as not having been published and as lacking independent substantiation. The fact that Surface submitted the test for publication October 4, 1984, after the final decision in the proceeding, does not overcome the ALJ's basis for dismissal.

We conclude that the Commission's finding, that the group I and group II respondents did not infringe the asserted claims of the '285 patent, is supported by substantial evidence of record.

CONCLUSION

In summary, we conclude that, on this record, there was substantial evidence to support the Commission's factual findings underly-

ing its legal conclusion that method claims 2, 12, 13, and 14 of the '285 patent were invalid under 35 U.S.C. § 103. There was also substantial evidence to support the Commission's findings that product claims 1, 3, 4, and 7-11 were not infringed by certain CDC textile machinery components produced and/or sold by the group I and group II respondents. Accordingly, we sustain the Commission's determination that the group I and group II respondents did not violate 19 U.S.C. § 1337.

AFFIRMED

(Appeal No. 85-2525)

AFFILIATED FM INSURANCE CO., AS SUBROGEE OF FIAT MOTORS OF NORTH AMERICA, INC., AND FIAT MOTORS OF NORTH AMERICA, INC., APPELLANTS V. UNITED STATES, APPELLEE

Henry J. Catenacci, Podvey, Sachs & Catenacci, of Newark, New Jersey, argued for appellants. With him on the brief was *Herbert I. Waldman*.

Susan Hendler-Menahem, Commercial Litigation Branch, Department of Justice, of New York, New York, argued for appellee. With him on the brief were *Richard K. Willard*, Acting Assistant Attorney General, *David M. Cohen*, Director and *Joseph I. Liebman*, Attorney in Charge, International Trade Field Office.

Appealed from: U.S. Court of International Trade.

Judge DiCARLO.

(Appeal No. 85-2525)

AFFILIATED FM INSURANCE CO., AS SUBROGEE OF FIAT MOTORS OF NORTH AMERICA, INC., AND FIAT MOTORS OF NORTH AMERICA, INC., APPELLANTS V. UNITED STATES, APPELLEE

(Decided February 14, 1986)

Before RICH, DAVIS, and BALDWIN, *Circuit Judges*.

BALDWIN, *Circuit Judge*.

This appeal is from a decision of the United States Court of International Trade dismissing petitioner's claim for a refund of customs duties or reliquidation of the entries for automobiles which had regularly entered this country and had subsequently been damaged by flood.

Petitioner's arguments are adequately treated in the lower court's opinion No. 85-47, dated April 19, 1985. We affirm on the basis of that opinion.

(Appeal Nos. 86-912/86-922)

NEC CORP., APPELLANT v. UNITED STATES, APPELLEE

Patrick F. O'Leary, Tanaka, Ritger & Middleton, of Washington, D.C., argued for appellant. With him on the brief was H. William Tanaka.

Velta A. Melnbrensis, Commercial Litigation Branch, Department of Justice, of Washington, D.C., argued for appellee. With her on the brief were Richard K. Willard, Assistant Attorney General and David M. Cohen, Director.

Appealed from: U.S. Court of International Trade.

Judge WATSON.

(Appeal Nos. 86-912/86-922.)

NEC CORP., APPELLANT v. UNITED STATES, APPELLEE

(Decided November 28, 1986)

Before RICH, BALDWIN, and BISSELL, Circuit Judges.

BALDWIN, Circuit Judge.

NEC Corporation's (NEC) action contesting an antidumping determination was dismissed by the United States Court of International Trade (trial court) due to untimely filing. *NEC Corp. v. United States*, 622 F.Supp. 1086 (1985), *reh'g denied*, 628 F.Supp. 976 (Ct. Int'l Trade 1986). We affirm.

BACKGROUND

NEC attempted to bring an action in the Court of International Trade contesting an antidumping determination. A summons to initiate the action was posted by certified mail to the trial court within the thirty day deadline for such appeals but the mailing was never delivered to the clerk for filing. Instead, the mailing was returned with the notation "insufficient postage." The summons was then remailed with sufficient postage, but out of time. Upon receipt, the clerk deemed the summons as having been filed on the latter, untimely mailing date. The United States then filed a Motion to Dismiss for Lack of Jurisdiction. NEC countered with a Motion to Correct the Filing Date. Acting on these motions, the trial court found that neither the summons mailed with insufficient postage nor the remailed summons met the filing requirement of Rule 5(g) of the Rules of the Court of International Trade which provides:

(g) *Service and Filing—When Completed*

Service or filing of any pleading or other paper by delivery or by mailing is completed when received, except that a pleading or other paper mailed by registered or certified mail properly addressed to the party to be served, or to the clerk of the court, with the proper postage affixed and return receipt requested, shall be deemed served or filed as of the date of mailing.

In response to the Motion to Dismiss, NEC argued that affixation of proper postage was not a jurisdictional prerequisite when filing a summons pursuant to Rule 5(g) or alternatively that a factual determination as to whether excusable neglect existed to justify acceptance of the summons should be made. The trial court rejected these arguments and refused to take jurisdiction over the matter. Also denied was NEC's subsequent Motion for Rehearing and Amendment of Judgment. In support of this motion, NEC pointed out that since "proper postage" is nowhere defined in the Rules, the trial court should have used its discretion to make an excusable neglect determination or, alternatively, determine that proper postage had been affixed.

This is an appeal of the trial court's decisions of November 19, 1985 and January 10, 1986 refusing to accept the summons as timely filed under the portion of Rule 5(g) directed to deeming the filing date as of date of mailing.

OPINION

The proper filing of a summons to initiate an action in the Court of International Trade is a jurisdictional requirement which appellant has failed to meet.

The United States is immune from suit except in accordance with the terms and conditions under which it consents to be sued. Under 19 U.S.C. § 1516a an interested party may commence an action contesting an antidumping determination by properly filing a summons and complaint within 30 days after a notice of the determination is published in the Federal Register. This is a plain and unambiguous requirement of a 30 day deadline for commencement of an action. Meeting that deadline by mail is conditioned upon affixation of proper postage and mailing within 30 days.

The summons is to be filed in a manner prescribed by the Rules of the Court of International Trade. 19 U.S.C. § 1516a(a)(1). The rules prescribing the manner and method for filing a summons constitute terms and conditions upon which the United States waives its sovereign immunity. Suit is barred unless the summons is filed in conformity with these rules. 28 U.S.C. § 2636(c).

Contrary to the NEC assertion that deviation from the Rules of the Court of International Trade may be subject to excuse and remedied upon equitable principles, the requirement of a properly and timely filed summons is a requisite of jurisdiction which cannot be waived. *Georgetown Steel v. United States*, 801 F.2d 1308, 1312 (Fed. Cir. 1986). The terms of the government's consent to be sued in any particular court define that court's jurisdiction to entertain the suit. *United States v. Testan*, 424 U.S. 392, 399 (1976), quoting *United States v. Sherwood*, 312 U.S. 584, 586 (1941). Conditions upon which the government consents to be sued must be strictly observed and are not subject to implied exceptions. *Lehman v. Nakshian*, 453

U.S. 156, 161 (1981), citing *Soriano v. United States*, 352 U.S. 270, 276 (1957).

For the foregoing reasons, we *affirm* the trial court's orders dismissing NEC's action and denying rehearing and amendment of judgment.

AFFIRMED

(Appeal No. 86-1033)

RBW INC., PER C.J. TOWER & SONS OF BUFFALO, INC., APPELLEE v.
UNITED STATES, APPELLANT

Barbara M. Epstein, Commercial Litigation Branch, Department of Justice, of New York, New York, argued for appellant. With her on the brief were *Richard K. Willard*, Assistant Attorney General, *David M. Cohen*, Director and *Joseph I. Liebman*, Attorney in Charge, International Trade Field Office.

Steven P. Florsheim, Mandel & Grunfeld, of New York, New York, argued for appellee.

Appealed from: U.S. Court of International Trade.

Judge CARMAN.

(Appeal No. 86-1033)

RBW INC., PER C. J. TOWER & SONS OF BUFFALO, INC., APPELLEE v.
UNITED STATES, APPELLANT

(Decided December 5, 1986)

Before DAVIS, SMITH, and NIES, *Circuit Judges*.

SMITH, *Circuit Judge*.

In the proceedings before the United States Court of International Trade, the issue was whether imported books of crossword puzzles, word games, and search-a-word puzzles were properly classified as "puzzles" under item 735.20 of the Tariff Schedules of the United States (TSUS), or as "books not specially provided for" under item 270.25, TSUS. The trial court held that "books of printed word puzzles are properly classified under item 270.25, TSUS [books not specially provided for]."

On the basis of the opinion of the trial court, *RBW, Inc. v. United States*, 632 F. Supp. 13 (Ct. Int'l Trade 1986), the judgment below is affirmed.

AFFIRMED











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